



PSC NEWS

Missouri Public Service Commission

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CONSUMER NOTICE

NATURAL GAS PRICES FOR 2002-03 WINTER HEATING SEASON

Jefferson City (April 29, 2002)---The winter of 2000-01, with its extremely cold weather and record-high natural gas prices, created an extraordinarily difficult situation for Missourians as well as natural gas customers throughout the country. This winter, consumers saw significantly lower natural gas prices because of warmer weather and adequate natural gas supplies. **The Missouri Public Service Commission has recently noted a number of factors that give rise to concern regarding natural gas prices for the 2002-03 winter heating season.**

“Lower rig counts, additional gas fired electric generation, the possibility of an El Nino summer, instability in the Middle East and a possible increase in overall economic activity point to a **possible increase** in natural gas prices,” warned PSC Chairman Kelvin Simmons. “Current, relatively high levels of natural gas storage may dampen natural gas price increases,” Simmons stated, “that reduces our concerns, it does not eliminate them.” The Commission continues to monitor market conditions regarding natural gas and encourages local natural gas utilities in its jurisdiction to evaluate hedging as part of a diversified gas portfolio.

The Commission created a Natural Gas Commodity Price Task Force as a result of the extraordinary weather and natural gas price spikes experienced in the winter of 2000-01. Several of the recommendations of the task force pointed to the need for natural gas utilities to take additional steps to protect consumers from upward price volatility. The Commission is actively evaluating and moving forward on a number of the task force’s recommendations.

“The Commission,” stated Warren Wood, Energy Department Manager, “has initiated rulemaking proceedings to implement a policy that would, among other things, encourage natural gas utilities to structure their portfolios of contracts with various supply and pricing provisions to reduce, but not eliminate, effects of spot market price volatility. This should provide a level of stability to delivered natural gas prices.” Wood added, “tools that could help achieve this goal include, but are not limited to,

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storage, fixed price contracts, call options, collars and futures contracts.”

“It is possible,” cautioned Warren Wood, “that balanced portfolios may result in prices that are over spot market at times. This is recognized as a possible result of prudent efforts on the part of local natural gas companies to reduce upward price volatility.”

On March 1, 2002, the Staff of the Missouri Public Service Commission sent letters to all of the regulated natural gas companies in Missouri advising them of the PSC Staff’s concerns regarding natural gas prices next winter. That letter requested information from each local natural gas company on its target prices for gas deliveries next winter, the Company’s expectations for price and availability of natural gas through March 2003, as well as what types of hedging plans and strategies are in place through March 2003.

Responses were received from most of Missouri’s local natural gas distribution companies. The PSC Staff is currently reviewing these responses. “Responses,” stated Warren Wood, “generally show that the companies are evaluating steps to mitigate further upward natural gas price spikes and provide a level of rate stability to their customers.”

Natural gas customers should watch for further information on natural gas prices and consider taking the following steps before next winter to control their consumption of natural gas:

- ?? Call your local natural gas company and ask about energy saving tips and programs.
- ?? Add attic insulation if necessary. Heat rises and without adequate home insulation that heat will quickly leak outdoors into the atmosphere. Some customers may be eligible for weatherization assistance.
- ?? Place weather-stripping around doors, use plastic film covering and caulk windows to keep heat from escaping from your home.
- ?? Clean or replace forced-air furnace filters as needed.
- ?? Place an approved insulated cover/jacket around your hot water heater. Set your water heater temperature to 120 degrees.
- ?? Call your local natural gas company to discuss enrolling in an average or budget-billing plan. These plans allow consumers to spread annual energy costs over a 12-month period.
- ?? Use caution with gas fired appliances. Get professional help for any projects that are beyond your personal capabilities.

For more information on energy saving tips, please contact the Missouri Department of Natural Resources’ Energy Center at (573) 751-4000 or go to <http://www.dnr.state.mo.us/energy/index.html>. All consumers should consider the benefits of these changes in how they consume energy; they can make a significant difference in heating and cooling bills.

